

**Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554**

NOV 3 2000

FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

In the Matter of

Federal-State Joint Board on
Universal Service

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CC Docket No. 96-45
Rural Task Force Report

COMMENTS OF GENERAL COMMUNICATION, INC.

General Communication, Inc. ("GCI") hereby submits comments in response to the Recommendation of the Rural Task Force to the Federal-State Joint Board on Universal Service, released on September 29, 2000 ("Recommendation"). GCI applauds the significant effort by the Rural Task Force to produce the Recommendation and generally supports the details therein. In these comments, GCI identifies certain reservations regarding the conclusions of the Rural Task Force with respect to the applicability of the Synthesis Model to rural carriers and the propriety of self-certification for deaveraging universal service support.

I. APPLICATION OF THE SYNTHESIS MODEL TO RURAL CARRIERS

The Rural Task Force concluded that the Synthesis Model is not an appropriate tool for determining the forward-looking cost of Rural Carriers.¹ The primary basis for that conclusion appears to be that the results of the model, using the unmodified nationwide average inputs, vary significantly and produce less support for rural carriers than received today. The Rural Task Force concluded that the cause of these disparities was that the nationwide inputs did not reflect the rural carriers' experience and certain other anomalies found in the model. The initial recommendation to seek alternatives to the Synthesis Model was reported in Rural Task Force

¹ Rural Task Force Recommendation at 17-18.

White Paper 4, based primarily on the analysis conducted by GVNW Consulting and presented to the Task Force (“GNVW Report”).²

The GVNW Report identified numerous shortcomings of the model relating to inputs including issues specifically associated with rural carriers and regional issues. A few examples include:

- Alaska companies show Anchorage as a tandem switch location;
- Transport calculations running the model as currently configured would likely be extremely high;
- No data or limited data was provided on exchange borders, tandem locations, soil data;
- Line counts are not correct;
- Plant mix between aerial, buried, and underground incorrect.

Each of these criticisms are aimed at variable assumptions or inputs to the model. In GCI’s experience, such criticisms may be addressed on an input-by-input basis without abandoning the model itself. Indeed, virtually all of the criticisms raised by the GNVW Report were raised and addressed in a recent arbitration for local interconnection between GCI and Alaska Communications Systems (“ACS”) for Fairbanks and Juneau,³ where both areas are served by rural carriers according to definition in the Communications Act.⁴ Because the Regulatory

² See Rural Task Force White Paper 4, Appendix C (GVNW presentation).

³ In Re: Petition of GCI for Arbitration with PTIC, TUA & TUNI, RCA Docket Nos. U-99-141/142/143, Order Approving in Part, and Modifying in Part, Arbitrator’s Recommendation, RCA Order U-99-141/142/143(9) (issued Aug. 24, 2000); Order Approving Agreement, RCA Order U-99-141/142/143(10) (issued October 5, 2000).

⁴ 47 U.S.C. § 153(37).

Commission of Alaska (“RCA”) allowed the parties to challenge any variable assumptions and inputs, the model results proved to be consistent with and comparable to rates for unbundled network elements nationwide. Indeed, the incumbent local exchange carrier (“ILECs”) (in this case, ACS) had the opportunity to modify any of the inputs, and many were changed. Ultimately, the Synthesis Model produced useful results on a forward looking basis when good information was selected for inputs.

Even GVNW stated in their presentation regarding the Synthesis Model that, “Model cost structures and inputs are generally considered to be forward looking.”⁵ The conclusion that can be drawn from the GVNW presentation is that the Synthesis Model is a structurally acceptable model to satisfy the forward-looking standard, but it must be populated with appropriate inputs for the study areas being examined. Further, the Rural Task Force found that the primary reason for the difference in universal service support for the rural high cost fund when using the Synthesis Model was due to the “FCC decision to rely on a nationwide benchmark and statewide cost-averaging to determine a ‘sufficient’ level of federal funding for non-Rural Carriers.”⁶ Moreover, GCI has applied the Synthesis Model to rural carriers with reasonable and expected results, provided that the model was populated with appropriate inputs. Thus, it is not the Synthesis Model structure but the inputs used that drive the results, and by selecting the appropriate inputs, the Synthesis Model can be used to produce acceptable forward-looking cost estimates for rural carriers.

⁵ Rural Task Force White Paper 4, Appendix C at 16.

⁶ Rural Task Force Recommendation at 19.

II. SELF-CERTIFICATION FOR DEAVERAGING USE SUPPORT

The Rural Task Force also has recommended that rural carriers have the option to self-certify as a method for geographic disaggregation. The opportunity to self-certify creates an incentive for ILECs to take advantage of the disaggregation opportunity without any prior review or immediate recourse by competitive local exchange carriers (both actual and potential) that will be affected.⁷ Additionally, no cost study is required to be filed with the self-certification thereby limiting any analysis or understanding of the methodology employed to disaggregate. Obviously, this could lead to improper disaggregation of the support in a manner that disadvantages competing carriers serving the areas or to discourage competition where the incumbent is the only service provider.

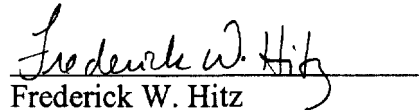
Even if cost studies were required as part of the self-certification, however, revenue requirements challenges are difficult to adjudicate. Because the plan becomes effective upon self-certification filing, the disaggregated support presumably would remain in place the adjudication and appeals process. Strategic disaggregation of the universal service support

⁷ Although the Recommendation provides that interested carriers may file complaints against disaggregation self-certifications (at 36), such self-certifications will remain in effect while interested parties pursue a potentially timely and costly complaint process.

coupled with the time delay and cost to challenge the disaggregation could either frustrate entry or act as a barrier to entry for competing carriers.

Respectfully submitted.

GENERAL COMMUNICATION, INC.

A handwritten signature in cursive script, reading "Frederick W. Hitz", is written over a horizontal line.

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Dated: November 3, 2000

CERTIFICATE OF SERVICE

I, Colleen A. Mulholland, hereby certify that a copy of the foregoing Comments of General Communication, Inc. was delivered to each of the following parties as indicated on November 3, 2000.

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